Reconciliation of pro forma figures.

Pro forma figures include EBITDA and EBITDA adjusted for special factors, the EBITDA margin, the EBITDA margin adjusted for special factors, as well as free cash flow, and gross and net debt.

Pro forma figures are not governed by the International Financial Reporting Standards (IFRS) or U.S. Generally Accepted Accounting Principles (U.S. GAAP). As other companies may not compute the pro forma figures presented by Deutsche Telekom in the same way, Deutsche Telekom's pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.

The pro forma figures in this Interim Report should not be viewed in isolation as an alternative to profit/loss from operations, net profit/loss, net cash from operating activities or the debt reported in the consolidated balance sheet, or other Deutsche Telekom key performance indicators presented in accordance with IFRS or U.S. GAAP.

EBITDA and EBITDA adjusted for special factors.

EBITDA

EBITDA for the strategic business areas and the Group as a whole is derived from profit/loss from operations (EBIT). To calculate EBITDA, this measure of earnings before profit/loss attributable to minority interests, income taxes and net financial income/expense is additionally adjusted for depreciation, amortization and impairment losses. It should be noted that Deutsche Telekom's definition of EBITDA may differ from that used by other companies.

In this definition, net financial income/expense includes finance costs, the share of profit/loss of associates and joint ventures accounted for using the equity method, and other financial income/expense. As it is based on profit/loss from operations, this method of computation allows EBITDA to be derived in a uniform manner on the basis of a measure of earnings in accordance with IFRS published for the strategic business areas and the Group as a whole.

EBITDA is an important indicator used by Deutsche Telekom's senior operating decision-makers to manage Deutsche Telekom's operating activities and measure the performance of the individual strategic business areas.

Adjusted EBITDA

Deutsche Telekom defines EBITDA adjusted for special factors as profit/loss from operations (EBIT) before depreciation, amortization and impairment losses and before the effects of any special factors.

Deutsche Telekom uses EBITDA adjusted for special factors as an internal performance indicator for the management of its operational business activities, and to allow it to better evaluate and compare developments over several reporting periods. Further details of the effects of special factors on Group EBITDA and the EBITDA of the strategic business areas can be found in the section on "Special factors."

EBITDA margin/adjusted EBITDA margin

To compare the earnings performance of profit-oriented units of different sizes, the EBITDA margin and the adjusted EBITDA margin (EBITDA to revenue) are presented in addition to EBITDA and adjusted EBITDA. The EBITDA margin is calculated as the ratio of EBITDA to net revenue (EBITDA divided by net revenue).

Special factors.

Deutsche Telekom's net profit/loss and EBITDA of the Group and of the strategic business areas were affected by a range of special factors in both the reporting period and the prior-year period.

The underlying concept involves the elimination of special factors that affect operational business activities and thus impair the comparability of EBITDA and net profit/loss with the corresponding figures for prior periods. In addition, a statement about the future development of EBITDA and net profit is only possible to a limited extent due to such special factors.

Adjustments are made irrespective of whether the relevant income and expenses are reported in profit/loss from operations, net financial income/expense, or in tax expense. Income and expenses directly relating to the items being adjusted are also adjusted.

The tables in the sections on the strategic business areas and under "Deutsche Telekom at a glance" outline the way in which Deutsche Telekom derives EBITDA adjusted for special factors for the Group as a whole and for the strategic business areas from profit/loss from operations in accordance with IFRS. The special factors are presented for the reporting period and the comparative prior-year period.

Special factors affecting EBITDA

EBITDA for the Group increased in the reporting year by around EUR 0.7 billion or 3.7 percent to EUR 20.1 billion. EBITDA in 2005 was impacted negatively by special factors totaling EUR 0.6 billion. This reflected the impact of offsetting effects: negative special factors, mainly expenditures of approximately EUR 1.2 billion in connection

with staff-related measures, were mitigated by positive special factors, primarily EUR 0.8 billion from the reversal of provisions in connection with new arrangements for the financing of the Civil Service Health Insurance Fund. In the prior year, negative special factors of approximately EUR 0.2 billion were recognized, primarily arising from staff-related measures.

Excluding the above special factors, adjusted EBITDA improved by EUR 1.1 billion or 5.7 percent to EUR 20.7 billion, and the EBITDA margin improved by 0.6 percentage points to 34.8 percent.

Special factors not affecting EBITDA

Profit after income taxes increased year-on-year by EUR 4.0 billion to around EUR 6.0 billion. In addition to EBITDA, the main factors contributing to this positive development were the improvement in depreciation, amortization and impairment losses, the lower loss from financial activities and reduced income taxes.

This development was impacted by contrasting special factors. In addition to those already mentioned, the following special factors also had a significant effect in the reporting year:

While changes in the market price of mobile communications companies in the United Kingdom in 2005 (Telefónica's takeover offer for O2) resulted in goodwill impairment losses totaling EUR 1.9 billion at T-Mobile UK, the positive earnings trend in the United States allowed a total of EUR 2.2 billion to be realized as tax income from the reversal of impairment losses on deferred tax assets related to U.S. loss carryforwards. Gains on the disposal of the remaining MTS shares in the amount of EUR 1.0 billion, which are reported under profit/loss from financial activities, also contributed to the improved results. The principal items recorded in the prior year were goodwill impairment losses totaling EUR 2.4 billion (T-Mobile UK and Slovak Telecom), impairment losses on U.S. mobile communications licenses totaling EUR 1.3 billion and, as offsetting factors, income of EUR 1.2 billion from the sale of MTS and SES shares, as well as EUR 0.6 billion in tax effects. Adjusted for these special factors, profit after income taxes rose by EUR 1.0 billion or 23.3 percent to EUR 5.1 billion.

Consolidated income statement and impact of special factors

billions of €	2005	Special factors	2005 without Special factors	2004	Special factors	2004 without Special factors	2003	Special factors	2003 without Special factors
Net revenue	59.6		59.6	57.3		57.3	55.6		55.6
Cost of sales	(31.9)	(0.6)[b]	(31.3)	(31.5)	(1.3)[j]	(30.2)	(29.5)	(0.0)	(29.5)
Gross profit	**27.7**	**(0.6)**	**28.3**	**25.8**	**(1.3)**	**27.1**	**26.1**	**(0.0)**	**26.1**
Selling expenses	(14.7)	(0.3)[c]	(14.4)	(12.8)	(0.0)	(12.8)	(12.8)	(0.0)	(12.8)
General and administrative expenses	(4.2)	(0.2)[d]	(4.0)	(4.5)	(0.2)[k]	(4.3)	(4.6)	(0.1)[q]	(4.5)
Other operating income	2.4	0.8[e]	1.6	1.7	0.1[l]	1.6	2.4	0.5[r]	1.9
Other operating expenses	(3.6)	(2.3)[f]	(1.3)	(3.9)	(2.5)[m]	(1.4)	(2.8)	(1.3)[s]	(1.5)
Profit from operations (EBIT)	**7.6**	**(2.6)**	**10.2**	**6.3**	**(3.9)**	**10.2**	**8.3**	**(0.9)**	**9.2**
Profit (loss) from financial activities	(1.4)	1.1[g]	(2.5)	(2.7)	1.2[n]	(3.9)	(4.1)	0.6[t]	(4.7)
Profit before income taxes	**6.2**	**(1.5)**	**7.7**	**3.6**	**(2.7)**	**6.3**	**4.2**	**(0.3)**	**4.5**
Income taxes	(0.2)	2.4[h]	(2.6)	(1.6)	0.6[o]	(2.2)	(1.7)	(0.1)[u]	(1.6)
Profit after income taxes	**6.0**	**0.9**	**5.1**	**2.0**	**(2.1)**	**4.1**	**2.5**	**(0.4)**	**2.9**
Profit attributable to minority interests	0.4	(0.0)	0.4	0.4	0.0	0.4	0.4	(0.1)	0.5
Net profit	5.6	0.9	4.7	1.6	(2.1)	3.7	2.1	(0.3)	2.4
Profit from operations (EBIT)	7.6	(2.6)	10.2	6.3	3.9	10.2	8.3	(0.9)	9.2
Depreciation, amortization and impairment losses	(12.5)	(2.0)[i]	(10.5)	(13.1)	(3.7)[p]	(9.4)	(10.3)	(1.0)[v]	(9.3)
EBITDA	20.1	(0.6)	20.7	19.4	(0.2)	19.6	18.6	0.1	18.5
EBITDA margin[a] (%)	33.8		34.8	33.8		34.2	33.6		33.3

a Calculated and rounded on the basis of millions for the purpose of greater precision.

Special factors in 2005:

b Expenditures for staff-related measures, primarily in Broadband/Fixed Network (EUR −0.4 billion) and Business Customers (EUR −0.1 billion), as well as Group Headquarters & Shared Services (EUR −0.1 billion).

c Expenditures for staff-related measures, primarily in Broadband/Fixed Network (EUR −0.2 billion) and other strategic business areas (EUR −0.1 billion).

d Expenditures for staff-related measures, mainly in Broadband/Fixed Network (EUR −0.1 billion) and Business Customers (EUR −0.1 billion).

e Primarily income from the reversal of provisions in connection with the Civil Service Health Insurance Fund (EUR 0.8 billion).

f Goodwill impairment losses at T-Mobile UK (EUR −1.9 billion), additions to out-of-court settlement payments at Group Headquarters & Shared Services (EUR −0.1 billion) and in particular expenditures for staff-related and restructuring measures (EUR −0.3 billion).

g Gains on disposal, mainly from the sale of MTS (EUR 1.0 billion; Mobile Communications) and comdirect bank (EUR 0.1 billion; Broadband/Fixed Network).

h Positive tax effects from the reversal of impairment losses on deferred tax assets in connection with loss carryforwards at T-Mobile USA (EUR 2.2 billion) and from expenses for staff-related measures (EUR 0.5 billion) are offset by negative tax effects from the reversal of provisions for the Civil Service Health Insurance Fund (EUR −0.3 billion; Group Headquarters & Shared Services).

i Primarily goodwill impairment losses at T-Mobile UK (EUR −1.9 billion).

Special factors in 2004:

j Goodwill impairment losses on U.S. mobile communications licenses of just under EUR −1.3 billion as well as expenditures for staff-related measures of less than EUR −0.1 billion (Broadband/Fixed Network).

k Expenditures for staff-related measures in Broadband/Fixed Network as well as other risks (EUR −0.1 billion in total).

l Retroactive income from the sale of Virgin Mobile (EUR 0.1 billion; Mobile Communications).

m Goodwill impairment losses at T-Mobile UK (EUR −2.2 billion) and Slovak Telecom (EUR −0.2 billion) as well as expenditures for staff-related measures at Broadband/Fixed Network and Group Headquarters & Shared Services (EUR −0.1 billion in total).

n In particular, gain on the disposal of shares in MTS (EUR 1.0 billion; Mobile Communications) and SES (EUR 0.2 billion; Group Headquarters & Shared Services).

o Tax income primarily from the above-mentioned expenditures for staff-related measures (EUR 0.1 billion) and impairment losses on U.S. mobile communications licenses (EUR 0.5 billion).

p Goodwill impairment losses at T-Mobile UK (EUR −2.2 billion) and Slovak Telecom (EUR −0.2 billion) as well as impairment losses on U.S. mobile communications licenses (EUR −1.3 billion).

Special factors in 2003:

q Restructuring expenditures at T-Hrvatski Telekom (Broadband/Fixed Network) as well as staff-related measures and expenditures in connection with the sale of the remaining cable companies (Broadband/Fixed Network).

r Gains of EUR 0.4 billion on the disposal of the remaining cable companies (Broadband/Fixed Network) and EUR 0.1 billion from the disposal of the Telecash and Siris subsidiaries (Business Customers).

s Goodwill impairment losses at Magyar Telekom (EUR –0.2 billion) which are allocated to the Broadband/Fixed Network and Mobile Communications business areas, as well as goodwill impairment losses at T-Mobile USA (EUR –0.8 billion). In addition, expenditures for staff-related measures (EUR –0.1 billion) and expenditures in connection with the disposal of cable companies (Broadband/ Fixed Network) and two further subsidiaries in Business Customers (EUR –0.2 billion total).

t Primarily expenses for an addition to provisions for payments to the Civil Service Health Insurance Fund (EUR –0.2 billion) as well as gains on the disposal of various equity interests totalling EUR 0.8 billion.

u Primarily tax income from the conversion of T-Mobile International AG into an AG & Co. KG limited partnership (EUR 0.1 billion), the reclassification of T-Mobile subsidiaries outside of Germany (EUR 0.3 billion), and an addition to provisions for payments to the Civil Service Health Insurance Fund (EUR 0.1 billion), offset by tax expense on gains on the disposal of the remaining cable companies and in connection with the lower corporate income tax loss carried forward at Deutsche Telekom AG (EUR –0.4 billion).

v Goodwill impairment losses at Magyar Telekom (EUR –0.2 billion; Broadband/Fixed Network) and T-Mobile USA (EUR –0.8 billion).

Free cash flow.

Deutsche Telekom defines free cash flow as cash generated from operations less interest paid and cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment.

Deutsche Telekom believes that free cash flow is used by investors as a measure to assess the Group's cash generated from operations (after deductions for interest paid and cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment), in particular with regard to subsidiaries, associates and joint ventures, and the repayment of debt. Free cash flow should not be used to determine the financial position of the Group. A further factor to be noted is that Deutsche Telekom's definition of free cash flow and its methods of computing this measure are only comparable with similarly designated measures and disclosures by other companies to a limited extent.

Net cash from operating activities

Net cash from operating activities. Net cash from operating activities fell by EUR 1.7 billion to EUR 15.0 billion in 2005, primarily due to the change in working capital and tax payments (tax refunds recorded in the prior year).

This was offset by lower net interest payments.

Net cash used in investing activities

The strong increase in net cash used in investing activities is mainly attributable to cash outflows for intangible assets and property, plant and equipment at T-Mobile - in particular, at T-Mobile USA in connection with the winding up of the U.S. mobile communication joint venture - and to the cash outflow for the acquisition of additional shares in T-Online.

Net cash used in financing activities

The reduction in net cash used in financing activities is the result of increased borrowing; this was offset by higher dividend payments (mainly Deutsche Telekom AG).

Consolidated cash flow statement (condensed)[a]

billions of €	2005	2004	2003
Cash generated from operations	17.9	20.4	19.1
Interest received/paid	(2.9)	(3.7)	(4.0)
Net cash form operating activities	**15.0**	**16.7**	**15.1**
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment	(7.2)[b]	(6.4)	(6.4)
Free cash flow (before dividend payments)	**7.8**	**10.3**	**8.7**
Net cash used in investing activities	**(10.1)**	**(4.5)**	**(2.3)**
Net cash used in financing activities	(8.0)	(12.9)	(5.8)
Effects of exchange rate changes	0.1	(0.0)	(0.0)
Net increase (decrease) in cash and cash equivalents	(3.0)	(0.7)	7.0
Cash and cash equivalents	**5.0**	**8.0**	**8.7**

a Calculated and rounded on the basis of millions for the purpose of greater precision.

b Cash outflows for investments in intangible assets and property, plant and equipment (excluding goodwill and before the acquisition of U.S. network infrastructure and licenses). Cash outflows for the acquisition of network infrastructure and licenses in the United States amounted to EUR 2.1 billion in 2005.

Gross and net debt.

Gross debt includes not only bonds and liabilities to banks, but also liabilities to non-banks from promissory notes, lease liabilities, liabilities arising from ABS transactions (capital market liabilities), liabilities from derivatives and cash collateral received for positive fair values of derivatives, as well as other interest-bearing financial liabilities.

Net debt is calculated by deducting cash and cash equivalents as well as financial assets classified as held for trading and available for sale (due ≤ 1 year). In addition, all derivative financial instruments and cash collateral paid for negative fair values of derivatives and cash collateral paid for ABS transactions are deducted from gross debt.

Deutsche Telekom considers net debt to be an important performance indicator for investors, analysts and rating agencies. Deutsche Telekom also uses net debt for purposes of managing and controlling debt.

In 2005, Deutsche Telekom succeeded in reducing its net debt by EUR 1.3 billion to EUR 38.6 billion. In addition to free cash flow, the primary factors contributing to this development were inflows from the sale of the stake in the Russian mobile communications entity MTS and the shares in comdirect bank for a combined total of around EUR 1.4 billion. This was offset, in particular, by higher dividend payments as well as the acquisition of additional T-Online shares.

Net debt*

billions of €, as of Dec. 31 of each year	2005	2004	2003
Bonds	37.2	39.8	51.6
Liabilities to banks	2.2	3.1	3.8
Liabilities to non-banks from promissory notes	0.6	0.7	0.8
Liabilities from derivatives	0.7	1.1	1.3
Lease liabilities	2.4	2.5	2.4
Liabilities arising from ABS transactions	1.4	1.6	1.2
Other financial liabilities	0.1	0.0	0.1
Gross debt	44.6	48.8	61.2
Cash and cash equivalents	5.0	8.0	8.7
Available-for-Sale financial assets	0.1	0.1	0.1
Derivatives	0.4	0.4	0.5
Other financial assets	0.5	0.4	0.8
Net debt	38.6	39.9	51.1

* Net debt is used by senior operating decision-makers at Deutsche Telekom as a key financial figure to manage and control debt. Although many of Deutsche Telekom's competitors use this measure, its definition may vary from one company to another, however.